

Message Text

CONFIDENTIAL

PAGE 01 RABAT 01376 01 OF 02 110847Z

21

ACTION NEA-10

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COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 EUR-12

AGR-05 /106 W

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R 110815Z MAR 76

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 7982

C O N F I D E N T I A L SECTION 1 OF 2 RABAT 1376

E.O. 11652: GDS

TAGS: EGEN, BEXP, EINV, MO

SUBJECT: THE U.S. INTEREST IN THE MOROCCAN ECONOMY - III

REF: RABAT 1154

1. THIS IS THE THIRD IN A SERIES OF FOUR EVALUATIONS I AM PREPARING ON MY DEPARTURE FROM POST. IT IS DEVOTED TO WHAT I BELIEVE OUGHT TO BE THE U.S. OFFICIAL AS WELL AS PRIVATE ATTITUDE TOWARDS TRADE AND INVESTMENT IN MOROCCO.

2. IF I AM CONVINCED OF ANYTHING AFTER TWO YEARS AND FIVE MONTHS AS AMBASSADOR IN RABAT, IT IS THAT THE OFTEN EXPRESSED DESIRE OF THE KING AND HIS ECONOMIC MINISTERS FOR MORE ACTIVE U.S. INVOLVEMENT IN THE MOROCCAN ECONOMY IS GENUINE. MOROCCO WANTS AND NEEDS U.S. CAPITAL AND U.S. TECHNOLOGY. HOWEVER, THKS COUNTRY LOOMS SMALL IN THE COMPARATIVE SCALE OF U.S. ECONOMIC INTERESTS. PAST INVESTMENT IS MODEST AND MOROCCO'S MAIN EXPORTS, PHOSPHATE ROCK AND CITRUS, ARE, AS FAR AS THE U.S. IS CONCERNED, COMPETITIVE RATHER THAN COMPLEMENTARY. MOROCCO IS NEITHER SMALL NOR UNIMPORTANT HOWEVER, IN TERMS OF OUR GEO-POLITICAL

CONFIDENTIAL

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PAGE 02 RABAT 01376 01 OF 02 110847Z

INTERESTS AND IT HAS MAJOR POTENTIAL AS A SHOWCASE

FOR THE ARAB AND AFRICAN WORLDS, DEMONSTRATING THE PRIVATE ENTERPRISE APPROACH TO IMPROVING THE HUMAN CONDITION. IT IS UNDERSTANDABLE BUT UNFORTUNATE THAT U.S. PRIVATE BUSINESS IS NOT GEARED TO TAKE THESE FACTORS INTO ACCOUNT IN ITS TRADE AND INVESTMENT DECISIONS. IT SOMETIMES SEEMS OUR BUSINESSMEN ARE MORE INCLINED TO DO BUSINESS WITH TOTALITARIAN ECONOMIES WHOSE LEADERS ARE DOING EVERYTHING WITHIN THEIR POWER TO DEFEAT U.S. POLICIES WORLD-WIDE, AND TO DIMINISH AND ULTIMATELY DESTROY THE FREE ENTERPRISE SYSTEM, THAN TO EXPEND EFFORT IN DEVELOPING GOOD BUSINESS PARTNERSHIPS IN COUNTRIES SUCH AS MOROCCO WHICH ARE STRUGGLING TO DEVELOP A STRONG PRIVATE SECTOR. I RECOGNIZE THAT THE PRIMARY RESPONSIBILITY THESE BUSINESSMEN BEAR IS TO THEIR STOCK-HOLDERS, BUT THE USG, AT LEAST, REPRESENTS A WIDER CONSTITUENCY AND OUGHT TO BE MORE SENSITIVE TO BROAD POLITICAL ISSUES. IT IS MY CONCERN AT OFFICIAL SLOWNESS TO RECOGNIZE AND ACT ON THESE PREMISES WHICH CAUSES ME TO TAKE TIME AT THE CONCLUSION OF MY MISSION HERE TO TRANSMIT THE THOUGHTS AND RECOMMENDATIONS THAT FOLLOW.

3. IN RECENT PAST, AND THIS IS STILL TRUE TO A DISTRESSING DEGREE, MIDDLE LEVEL MOROCCAN OFFICIALS TRAINED IN THE FRENCH TRADITION HAVE OFTEN DISCOURAGED PRIVATE BUSINESS INITIATIVE BY THE AMOUNT OF BUREAUCRATIC RED TAPE AND OCCASIONAL OUTRIGHT HOSTILITY TO PRIVATE SECTOR ACTIVITY WHICH OCCURS. THERE HAVE EVEN BEEN INSTANCES OF APPARENT HARASSMENT AFTER A FIRM IS ESTABLISHED AND OPERATING LOCALLY. THE MOROCCANIZATION PROGRAM OF THE PAST TWO YEARS HAS WORSENERED THE SITUATION NOT ONLY BY INHIBITING NEW INVESTMENT, BUT BY INDUCING WITHDRAWAL OF SEVERAL U.S. AND THIRD COUNTRY FIRMS. IN MY ESTIMATION NONE OF THIS SHOULD DIMINISH RECOGNITION THAT MINISTERS AND SENIOR OFFICIALS ARE SERIOUSLY DEDICATED TO BREAKING BOTH THE PAST FRENCH QUASI-MONOPOLY OF TRADE AND INVESTMENT AS WELL AS ANTAGONISTIC FRENCH-INDUCED ATTITUDES TOWARD PRIVATE INITIATIVE. SENIOR AMERICAN BUSINESS VISITORS OF THE MOST IMPRESSIVE CREDENTIALS ASSURE ME THAT MOROCCO POSSESSES IMPORTANT INTRINSIC ATTRACTIONS AND THAT ITS NEW INVESTMENT CODE

CONFIDENTIAL

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PAGE 03 RABAT 01376 01 OF 02 110847Z

IS IN PRINCIPLE ONE OF THE BEST AROUND. AND IT IS ONLY NOW COMING TO BE REALIZED IN THE U.S. BUSINESS COMMUNITY THAT THE MOROCCANIZATION PROGRAM HAS SERVED AS MUCH TO BREAK FRENCH CONTROL OVER TRADE AND MANUFACTURING, THUS OPENING THE DOOR FOR AMERICAN AND OTHER THIRD COUNTRY INVESTMENT, AS TO PROMOTE A GREATER SHARE OF DOMESTIC OWNER-PARTICIPATION.

4. THE PRESENT PICTURE HERE IS NOT WITHOUT POSITIVE ELEMENTS. TRADE HAS DOUBLED AND THE INVESTMENT MALAISE FOLLOWING MOROCCANIZATION SEEMS TO BE YIELDING. FOR EXAMPLE, BAPER CORP. HAS RECENTLY BEEN HIRED, AT GOM INITIATIVE, AS ENGINEERING CONSULTANT TO THE NATIONAL PHOSPHATE OFFICE (OCP). THE PURPOSE FOR RETAINING THIS U.S. FIRM, SO WE HAVE BEEN TOLD, IS IN EFFECT TO HELP THE COMPANY TO DEVELOP EXPERIENCE IN THE MOROCCAN WAY OF DOING BUSINESS SO AS TO ENCOURAGE IT TO PARTICIPATE IN FUTURE OCP DEVELOPMENT PROJECTS. LOCKWOOD-GREENE HAS BEEN AWARDED THE CONTRACT FOR THE PORT JORF LASFAR DEVELOPMENT. ARTHUR D. LITTLE HAS BEEN CONTRACTED BY OCP TO DO A TWENTY-YEAR PHOSPHATE USE STUDY, AS WELL AS TO HELP WITH THE PLANNING FOR THE JORF LASFAR PETRO-CHEMICALS COMPLEX. DUPONT IS CARRYING OUT DRIP IRRIGATION EXPERIMENTS JOINTLY WITH THE STATE CITRUS EXPORT MONOPOLY ON CERTAIN ROYAL DOMAINS. AND MOBIL OIL HAS DECIDED TO REINVEST THE PROCEEDS FROM THE SALE OF 50 PERCENT OF ITS DISTRIBUTING COMPANY (UNDER THE MOROCCANIZATION REQUIREMENT) IN PETROCHEMICALS. STANFORD RESEARCH INSTITUTE HAS BEEN REQUESTED TO PREPARE A SUBMISSION FOR THE INDUSTRIAL SECTOR OF THE 1978-83 DEVELOPMENT PLAN, NOW IN EARLIEST STAGES OF PREPARATION.

5. BUT THIS IS NOT ENOUGH. AND, MORE TO THE POINT, VIRTUALLY EVERY STEP OF PROGRESS WE HAVE RECORDED DURING THE PAST TWO YEARS HAS BEEN PAINFULLY WON AND HAS REQUIRED GOM INITIATIVE AND MAJOR EMBASSY EFFORT IN SUPPORT. WHERE ARE THE YANKEE TRADERS ACTIVELY SCOUTING FOR BUSINESS AND THE HUNGRY U.S. SALESMEN PUSHING THEIR WARES? THE EMBASSY'S JOB SHOULD BE TO IDENTIFY AND REPORT OPPORTUNITIES, MAINTAIN A HOSPITABLE CLIMATE, AND OPEN DOORS FOR APPOINTMENTS, NOT RUN JOHN ALDEN
CONFIDENTIAL

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PAGE 04 RABAT 01376 01 OF 02 110847Z

ERRANDS AND THEN PROVIDE THE COMPLETE RANGE OF SERVICES, FROM MARRIAGE COUNSEL TO MIDWIFERY, NEEDED TO BRING EVERY CHILD INTO EXISTENCE.

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PAGE 01 RABAT 01376 02 OF 02 110907Z

12

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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AGR-05 /106 W

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R 110815Z MAR 76

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 7983

C O N F I D E N T I A L SECTION 2 OF 2 RABAT 1376

6. JUST TO REPEAT, MY MAIN CONCERN MUST NECESSARILY BE WITH OUR PUBLIC ATTITUDES, RATHER THAN THOSE OF OUR PRIVATE BUSINESS FIRMS. HERE LET ME GIVE A FEW EXAMPLES: WHEN IN REPEATED MESSAGES WE POINTED OUT THE IMPORTANCE OF MOROCCO'S PHOSPHATES TO WORLD AGRICULTURAL PRODUCTION AND NOTED HIGH LEVEL GOM INTEREST IN MEETING WITH USG OFFICIALS TO RELATE PHOSPHATE MARKETING TO FORTHCOMING RAW MATERIALS DISCUSSIONS, IT WAS LIKE DROPPING ROCKS IN A WELL. THE SOVIETS HAVE MAINTAINED A SENIOR TRADE MISSION IN RABAT FOR YEARS WORKING TO ASSURE ACCESS TO MESKALA PHOSPHATES; THE U.S. HAS NOT EVEN RESPONDED TO GOM SUGGESTIONS FOR RATIONALIZED MARKETING DISCUSSIONS. WHEN THE PHOSPHATE MARKET BROKE IN MARCH 1975 AND MOROCCO FACED FINANCIAL DISASTER, IT TOOK US OVER A YEAR TO APPROVE A SIMPLE REQUEST FOR CCC CREDITS TO BUY WHEAT. MEANTIME WE HAVE BEEN SELLING MILLIONS OF TONS OF FOODGRAINS TO THE USSR. THIS HAS IMPROVED OUR STANDING IN MOROCCO NOT AT ALL. NOR HAS THE VISIT OF DEPUTY SECRETARY ROBINSON TO ASSURE BOUMEDIENE THAT WE HAVE NO DISPUTES WITH ALGERIA--AS LONG AS ALGERIA SELLS US PLENTY OF LNG. WHEN AN OPIC INVESTMENT TRADE MISSION WAS SCHEDULED FOR MOROCCO IT WAS CANCELLED AT THE LAST
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PAGE 02 RABAT 01376 02 OF 02 110907Z

MINUTE DESPITE EMBASSY PROTESTATIONS.

7. WASHINGTON HAS, I UNDERSTAND, BEEN REORGANIZED IN RECENT YEARS TO PROVIDE BETTER SUPPORT TO U.S. BUSINESS AND INDUSTRY. AS I COMPLETE MY NINTH YEAR AS A U.S. AMBASSADOR AND LEAVE THE FOREIGN SERVICE FOR THE TIME

BEING, THERE ARE A FEW SUGGESTIONS I WISH TO MAKE WHICH CALL FOR MORE SUCH SUPPORT RATHER THAN MERELY MORE PEOPLE.

A. A CENTRALIZED TRANSLATION OFFICE, PEHAPS IN THE DEPARTMENT OF COMMERCE, TO PROVIDE LOW COST SERVICES TO U.S. BUSINESSES TO PUT THEIR BROCHURES AND TECHNICAL LITERATURE INTO THE LANGUAGES IN WHICH THE WORLD DOES BUSINESS. THIS SERVICE SHOULD BE WELL PUBLICIZED IN COMMERCE AMERICA AND OTHERWISE. ONLY A HALF DOZEN FIRMS OF THE HUNDREDS WHICH HAVE PASSED THROUGH RABAT DURING MY TENURE HAVE TAKEN THE TROUBLE TO PREPARE FRENCH LANGUAGE MATERIALS. NOT SURPRISINGLY, THESE ARE AMONG THE SUCCESSFUL FIRMS MENTIONED ABOVE.

B. FAR WIDER DIFFUSION OF TRADE OPPORTUNITIES AND FOREIGN GOVERNMENT TENDERS. INSTEAD OF FGT'S BEING DISTRIBUTED TO 3 OR 4 (SOMETIMES 10 OR 15) FIRMS, THESE SHOULD GO TO 50 OR 100 IN A NATION AS LARGE AS OURS. THE TOP HALF DOZEN FIRMS, WE'VE FOUND, OFTEN ARE ALREADY FULLY EXTENDED AND DO NOT RESPOND. IF WE ARE TRULY INTERESTED IN EXPANDING TRADE, SUBSCRIPTION TO USDOC PROGRAMS ALONE IS NOT ADEQUATE. THE PROPOSED EXPORTER/ AGENCY FILE COULD BE A STEP IN THIS DIRECTION.

C. THE TRADE MISSION PROGRAM IS IN MY EXPERIENCE ONE OF THE MOST USEFUL AND UNDERUTILIZED MEANS OF BRINGING FOREIGN TRADE AND INVESTMENT OPPORTUNITIES TO THE ATTENTION OF U.S. BUSINESSES. THREE MISSIONS IN OVER TWO YEARS IS NOT ENOUGH. ONE TYPE OF MISSION OR ANOTHER

SHOULD PASS THROUGH THE REGION AT LEAST EVERY QUARTER.

8. TO SUM UP, WHILE SEVERAL OF THE PROBLEMS OF THE PAST CAUSED BY THE MOROCCANS REMAIN WITH US, THE WORST CONFIDENTIAL

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PAGE 03 RABAT 01376 02 OF 02 110907Z

SITUATIONS, SUCH AS MOROCCANIZATION, ARE NOW BECOMING HISTORY AND MANY OF THE OTHERS ARE ON THE WAY TOWARDS RESOLUTION. HIGH LEVEL INTEREST IN STRENGTHENING U.S.- MOROCCAN COMMERCIAL RELATIONSHIPS CONTINUES, IMPROVED ATTITUDES ARE DISCERNIBLE IN SOME MID-LEVEL RANKS, AND WE ARE FINDING WAYS TO WORK OUR WAY AROUND THE UNBUDGEABLE IDEOLOGUES. WITH THE RETURN OF A MEASURE OF OPTIMISM IN THE WORLD ECONOMY, THE TIME IS RIPE FOR A PUSH AT THE U.S. END IN RESPONSE TO THE OPEN DOOR HERE. IF WE WISH TO GIVE MORE THAN LIP SERVICE TO FREE ENTERPRISE, MOROCCO IS A COUNTRY WHICH IS TRYING TO DEVELOP IT, OFFERING INCENTIVES TO ATTRACT IT, AND PROVIDING SUBSTANTIAL REWARDS TO THOSE WHO RESPOND. LEADING WORLD

BANKERS, IMF AND IBRD OFFICIALS AND MYSELF ARE CONVINCED
THAT MOROCCO WILL BE AMONG THE WINNERS IN THE WORLD
DEVELOPMENT STAKES OVER THE NEXT DECADE. UNFORTUNATELY
IT LOOKS, SO FAR, LIKE THE FRENCH, JAPANESE, AND EAST
EUROPEANS SEEM MOST DETERMINED TO REAP THE BENEFITS.
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